Bermaz Auto (BAUTO MK)

4QFY26: Above Expectations

	BUY (Maintained)
Share Price	RM0.91
Target Price	RM1.14
Upside	25.7%
Previous TP	RM1.08

Highlights

- 4QFY26 earnings beat expectations, driven by stronger associate contributions and margin expansion.
- Mazda3 remains the key volume driver, with the 3rd-Gen Mazda CX-5 launch and Xpeng localisation poised to accelerate sales growth.
- Raise our FY27-28 earnings forecasts by 8%5% respectively. Maintain BUY with a higher target price of RM1.14, based on 10.5x FY27 EPS.

4QFY26 Results

Year to 30 Apr (RMm)	4QFY26	qoq%	yoy%	FY26	yoy%
Revenue	544.7	(20.3)	3.0	2,275.6	(13.3)
EBIT	64.8	(7.7)	82.7	198.9	(6.5)
Associates	2.3	79.4	869.3	(25.0)	(276.9)
PBT	67.4	13.2	94.6	174.3	(22.3)
Core PATMI	44.0	34.8	107.6	102.1	(34.5)
Sales Volume (units)	3,507	(17.7)	18.1	13,470	(12.9)
- Malaysia	3,137	(20.0)	24.6	11,997	(12.3)
- Philippines	370	8.2	(18.0)	1,473	(17.2)
Margins		+/-ppt			+/-ppt
EBIT	11.9	1.6	5.2	8.7	(0.6)
Core Net Profit	8.1	3.3	4.1	5.9	1.5

Source: Bermaz Auto, UOB Kay Hian

Analysis

- **Above expectations.** Bermaz Auto (Bermaz) delivered a strong set of results in 4QFY26, with a core net profit of RM44.0m (+35% qoq, +108% yoy). This brings FY26 core net profit to RM102.1m (-34% yoy), exceeding our and consensus forecasts by 20%/28%. The earnings beat was mainly driven by a turnaround in associate contributions (RM2.3m of profit vs loss of RM11.3m in 3QFY26) coupled with higher margins arising from a favourable sales mix.
- Bermaz declared a fourth interim dividend of 1.75 sen per share plus a special dividend of 1.75 sen, which brings FY26 total DPS to 7.25 sen.

Key Financials

Year to 30 Apr (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	2,622.3	2,275.6	2,373.1	2,454.9	2,550.4
EBITDA	249.0	223.5	210.9	226.4	252.3
Operating profit	222.0	198.9	184.4	203.1	220.1
Net profit (rep./act.)	163.4	104.8	124.7	135.0	151.4
Net profit (adj.)	163.4	102.1	124.7	135.0	151.4
EPS	14.0	9.1	10.8	11.7	13.2
PE (x)	6.2	9.5	8.0	7.4	6.8
P/B (x)	1.6	1.5	1.4	1.3	1.2
EV/EBITDA (x)	3.5	3.5	3.5	3.1	2.8
Dividend yield (%)	19.4	8.4	8.7	9.2	9.8
Net margin (%)	6.2	4.6	5.3	5.5	5.9
Net debt/(cash) to equity(%)	-32.4	-47.6	-51.2	-55.3	-59.9
Interest cover (x)	18.0	19.1	20.5	25.3	27.1
ROE (%)	23.2	14.5	16.8	17.7	17.9
Consensus net profit	-	-	111.0	115.0	-
UOBKH/Consensus (x)	-	-	1.13	1.17	-

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

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Stock Data

GICS sector	Consumer Discretionary
Bloomberg ticker:	BAUTO MK
Shares issued (m):	1,150.4
Market cap (RMm):	1,050
Market cap (US$m):	258.2
3-mth avg daily t'over (US$m):	1.0

Price Performance (%)

52-week high/low				RM1.2/RM0.5
1mth	3mth	6mth	1yr	YTD
(6.7)	7.7	29.3	(4.7)	27.5

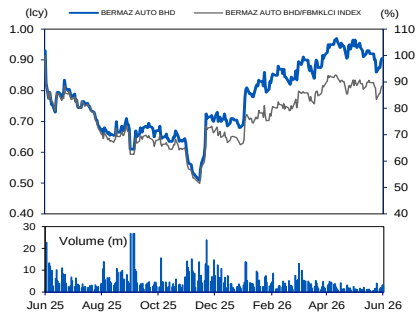
Major Shareholders

	%
Dynamic Milestone Sdn Bhd	16.53
Amanah Saham Nasional Berhad	7.61
Lembaga Tabung Haji	7.03

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.6
FY26 Net Debt/Share (RM)	(0.3)

Price Chart



Source: Bloomberg

Company Description

Bermaz Auto is involved in the distribution, assembling, retailing and also the provision of after sales service of Mazda vehicles in Malaysia. The group is also involved in the distribution of locally assembled Mazda vehicles in Malaysia and the Philippines.

- **Lower domestic sales across all brands.** Revenue declined 20% qoq to RM544.7m, in line with a 20% drop in sales volume to 3,507 units. Sales of Mazda in Malaysia fell 8% qoq to 2,832 units due to lower demand for its CKD models, while Xpeng's sales fell 40% qoq to 278 units as demand normalised following the expiry of EV tax incentives. Comparatively, 3QFY26 revenue was boosted by inventory purchases by Kia Malaysia.
- **Margins improved despite lower revenue.** Operating margin rose 1.6pt qoq to 11.9%, supported by a more favourable sales mix. CBU models accounted for 60% of total sales in 4QFY26 (vs 54% in 3QFY26 and 23% in 4QFY25), which we believe provide higher margins than Mazda's ageing CKD models.
- **Associates returned to profitability.** Associate earnings turned positive on stronger contributions from Mazda Malaysia (MMSB) and narrower losses at Kia Malaysia, driven by improved vehicle sales. We expect Kia Malaysia's losses to remain contained in the coming quarters as Bermaz is likely to impair its investment in the associate. However, MMSB's earnings could remain volatile due to soft demand for Mazda's CKD models.
- **Demand outlook remains resilient.** While backlog orders declined to 2,350 units from 3,800 units following the fulfilment of large Mazda3 deliveries, we project that sales momentum will remain supported by healthy demand for the model. Looking ahead, the launch of the 3rd-gen Mazda CX-5, expected in Aug 26 (2QFY27), should provide an additional catalyst to volume growth over the next two years. Meanwhile, the commencement of local assembly for the Xpeng G6 shields the model from the recently imposed minimum selling price requirement for imported CBU EVs. We maintain our conservative sales assumption of 14,400 units for FY27, which is below management's target of 15,800 units.

Valuation/Recommendation

- **Maintain BUY with a higher target price of RM1.14 (previously RM1.08),** pegged to 10.5x PE (five-year average mean) of our revised FY27 earnings forecast. We continue to like Bermaz for its improving earnings trajectory, margin recovery, and stronger growth visibility over the next two years, underpinned by Mazda's refreshed line-up.
- Bermaz also offers a compelling yield of over 8% based on our FY27 DPS of 7.5 sen.

Earnings Revision/Risk

- **We raise our earnings forecasts by 8%/5% for FY26/27 respectively,** after incorporating higher margin assumptions. This reflects the sustained recovery in operating margins which were previously impacted by heavy discounting on Mazda's ageing CKD models.

  Given our conservative sales assumptions, we see scope for earnings upside, underpinned by sustained strong demand for the Mazda3 and, more importantly, the potential launch of a new Mazda compact SUV. This would further strengthen Bermaz's growth visibility and could drive meaningful upside to our earnings forecasts and target price.

Share Price Catalyst

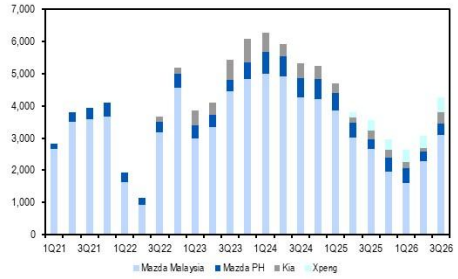
- Higher sales volume from Mazda and Xpeng from its refreshed line-up.
- Continued localisation of models.
- Lush dividend payout.

Sales Volume Assumptions

Financial Year	Malaysia (units)	Philippines (units)
2023	19,688	1,682
2024	21,192	1,682
2025	13,687	1,779
2026	11,997	1,473
2027F	13,000	1,400
2028F	13,500	1,400
2028F	14,000	1,400

Source: Bermaz Auto, UOB Kay Hian

Sales Volume By Brand



Source: Bermaz Auto, UOB Kay Hian

Environmental, Social And Governance (ESG) Updates

Environmental
- BAUTO supports the Republic Act 11285 (Energy Efficiency and Conservation Act), which institutionalises energy efficiency and conservation as a national way of life.
Social
- Mazda Medicare Fund dialysis programme channelled 100% of funds to charity.
Governance
- Complies with Malaysian code on Corporate Governance which requires independent directors (4 out of 7) to comprise the majority of the board

Profit & Loss

Year to 30 Apr (RMm)	2026	2027F	2028F	2029F
Net turnover	**2,276**	**2,373**	**2,455**	**2,550**
EBITDA	223	211	226	252
Deprec. & amort.	25	27	29	32
EBIT	199	184	197	220
Associate contributions	-25	1	4	6
Net interest income/(expense)	0	2	3	4
Pre-tax profit	**174**	**187**	**204**	**230**
Tax	-57	-47	-51	-57
Minorities	-12	-16	-18	-22
Net profit	**105**	**125**	**135**	**151**
Net profit (adj.)	102	125	135	151

Balance Sheet

Year to 30 Apr (RMm)	2026	2027F	2028F	2029F
Fixed assets	126	122	115	106
Other LT assets	170	149	157	170
Cash/ST investment	434	423	447	470
Other current assets	722	702	732	757
Total assets	**1688**	**1653**	**1700**	**1741**
ST debt	226	100	80	50
Other current liabilities	361	402	415	425
LT debt	0	0	0	0
Other LT liabilities	369	370	370	371
Shareholders' equity	642	678	716	759
Minority interest	91	103	119	137
Total liabilities & equity	**1688**	**1653**	**1700**	**1741**

Cash Flow

Year to 30 Apr (RMm)	2026	2027F	2028F	2029F
Operating	**217**	**148**	**160**	**172**
Pre-tax profit	174	187	204	230
Tax	-57	-47	-51	-53
Deprec. & amort.	25	28	30	33
Associates	25	-1	-4	-6
Working capital changes	50	-17	-17	-11
Other operating cashflows	0	-2	-3	-4
Investing	**-8**	**-8**	**-7**	**-6**
Capex (growth)	-20	-20	-20	-20
Investments	1	1	2	2
Proceeds from sale of assets	0	0	0	0
Others	11	11	11	12
Financing	**-219**	**-115**	**-130**	**-105**
Dividend payments	-83	-86	-92	-98
Issue of shares	0	0	0	0
Loan repayment	-126	-20	-30	0
Others/interest paid	-10	-9	-8	-8
Net cash inflow (outflow)	**-11**	**24**	**23**	**60**
Beginning cash & cash equivalent	**434**	**423**	**447**	**470**
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	**423**	**447**	**470**	**530**

Key Metrics

Year to 30 Apr (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	8.7	8.8	9.0	9.9
Pre-tax margin	6.5	7.8	8.1	9.0
Net margin	3.5	5.3	5.5	5.9
ROA	4.8	7.4	7.8	8.7
ROE	11.7	17.5	17.8	19.9
Growth				
Turnover	-13.2	4.3	3.4	3.9
EBITDA	-20.5	5.1	6.1	14.1
Net profit	-51.5	58.2	7.8	11.7
Net profit (adj.)	-51.5	58.2	7.8	11.7
EPS	-51.5	58.2	7.8	11.7
Leverage				
Debt to total capital	12.8	9.6	5.6	5.2
Debt to equity	14.7	11.2	6.6	6.2
Net debt/(cash) to equity	-47.6	-51.2	-52.4	-54.0
Interest cover	19.1	20.5	25.3	27.1

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